

**NORA SPRINGS-ROCK FALLS
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Gary Dockum	President	2010
Nancy Lund	Vice President	2008
Brad Shanks		2009
Lori Treloar		2009
Dave Luett		2008

(After September 2008 Election)

Gary Dockum	President	2009 *
Nancy Lund	Vice President	2011
Brad Shanks		2009
Lori Treloar		2009
Dave Luett		2011

School Officials

Eldon Pyle	Superintendent
Amy Pike	District Secretary
Gwen Mellmann	District Treasurer

* Board term decreased per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Nora Springs-Rock Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Nora Springs-Rock Falls Community School District, Nora Springs, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

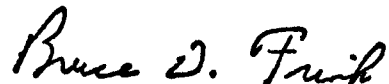
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Nora Springs-Rock Falls Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2010 on our consideration of Nora Springs-Rock Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nora Springs-Rock Falls Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

April 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Nora Springs-Rock Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,838,375 in fiscal 2008 to \$4,323,692 in fiscal 2009, while General Fund expenditures increased from \$3,971,613 in fiscal 2008 to \$4,143,832 in fiscal 2009. The District's General Fund balance increased from \$73,235 in fiscal 2008 to \$253,095 in fiscal year 2009.
- The District's Certified Enrollment decreased from 427.0 resident students in September 2007 to 422.0 students in September 2008. This was partially offset by an increase of the number of students open enrolling into the district of 4 students.
- The amount of statewide (formerly local option) sales and services tax collected increased from \$307,257 in fiscal 2008 to \$323,237 in fiscal 2009.
- Expenses increased four percent from FY2008 to FY2009. 4% or less allowable budget increases tend to be inadequate to maintain current educational programs.
- Expenses and revenues grew as a result of how the Department of Education requires the District to account for sharing dollars.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Nora Springs-Rock Falls Community School District as a whole and present in overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Nora Springs-Rock Falls Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity Fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Nora Springs-Rock Falls Community School District Annual Financial Report

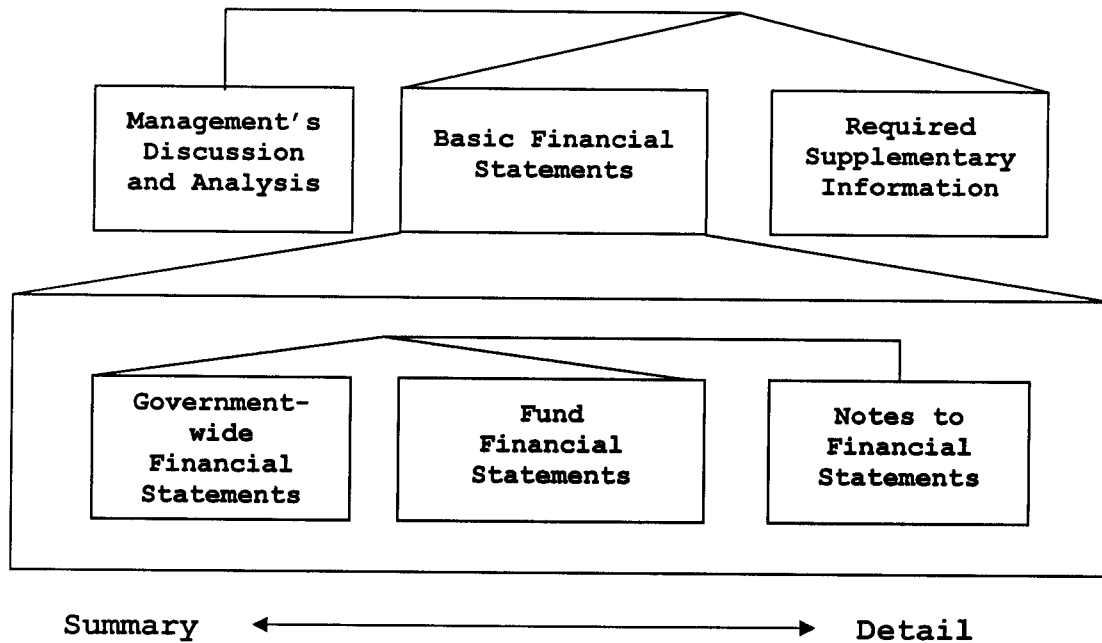


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and child care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Child Care Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and statement cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 3,463	2,061	27	20	3,490	2,081	67.71%
Capital assets	2,525	2,600	5	6	2,530	2,606	-2.92%
Total assets	5,988	4,661	32	26	6,020	4,687	28.44%
Current liabilities	2,593	1,620	-	-	2,593	1,620	60.06%
Non-current liabilities	422	525	-	-	422	525	-19.62%
Total liabilities	3,015	2,145	-	-	3,015	2,145	40.56%
Net Assets							
Invested in capital assets, net of related debt	2,195	2,165	5	6	2,200	2,171	1.34%
Restricted	597	314	-	-	597	314	90.13%
Unrestricted	181	27	27	20	208	47	342.55%
Total net assets	\$ 2,973	2,506	32	26	3,005	2,532	18.68%

Restricted assets increased by 90% primarily due to the increase in the Capital Projects Fund. The District's solvency ratio increased to 6%. Solvency ratio is arrived at by dividing the ending General Fund balance by General Fund revenues. It is used as an indicator of the District's ability to financial carry on the District's programs. Different sources recommend solvency ratios of 5-15%, thus the District is at the lower end of that range.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
\$ 278	210	141	138	419	348	20.40%	
936	657	97	105	1,033	762	35.56%	
1,578	1,528	-	-	1,578	1,528	3.27%	
323	307	-	-	323	307	5.21%	
1,828	1,712	-	-	1,828	1,712	6.78%	
5	13	-	-	5	13	-61.54%	
6	9	-	-	6	9	-33.33%	
<u>4,954</u>	<u>4,436</u>	<u>238</u>	<u>243</u>	<u>5,192</u>	<u>4,679</u>	<u>10.96%</u>	
2,908	2,762	-	-	2,908	2,762	5.29%	
1,226	1,208	-	-	1,226	1,208	1.49%	
-	-	239	239	239	239	0.00%	
<u>354</u>	<u>278</u>	<u>-</u>	<u>-</u>	<u>354</u>	<u>278</u>	<u>27.34%</u>	
<u>4,488</u>	<u>4,248</u>	<u>239</u>	<u>239</u>	<u>4,727</u>	<u>4,487</u>	<u>5.35%</u>	
\$ 466	188	(1)	4	465	192	142.19%	

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 87% of the total expenses. These are the areas most directly related to classroom activities.

Governmental Activities

Revenues for governmental activities were \$4,953,722 and expenses were \$4,487,586 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 2,908	2,762	5.29%	1,850	2,047	-9.62%
Support services	1,226	1,208	1.49%	1,225	1,199	2.17%
Other expenses	354	278	27.34%	198	135	46.67%
Totals	\$ 4,488	4,248	5.65%	3,273	3,381	-3.19%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$277,940, an increase of 33% from 2008.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$535,326, a thirty-five percent decrease.
- The net cost of governmental activities was financed with \$1,577,970 in property tax (3% increase) and \$1,827,514 in state foundation aid (7% increase).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Nora Springs-Rock Falls Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$870,242, a 99 percent increase from last year's ending fund balance of \$437,476.

Governmental Fund Highlights

Several factors contributed to the increase of the fund balance in the District's governmental funds.

- The District started whole grade sharing with North Central Community School District in an effort to maintain educational programs while also saving money.
- The General Fund balance increased by over \$179,000. A good part of this is due to sharing incentive revenues.
- The Capital Projects Fund was used for expenditures formerly paid for with property tax.
- Funding from the Statewide Sales and Services Tax accounted for over \$320,000 of additional funds during fiscal Year 2009. Expenses from this fund were primarily for remodeling projects. The increase in the Capital Projects Fund accounted for the majority of the total increase in governmental fund balances.

Proprietary Fund Highlights

Revenues for the District's School Nutrition Fund were \$209,082 and expenses were \$205,683. The revenues include charges for services, contributions, and federal and state reimbursements. A Child Care program was started during Fiscal Year 2003. It is hoped to be an additional attraction to showcase the District.

School Nutrition Fund net assets increased 13 percent. The Child Care Fund ended the year with a positive balance.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year in total.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$2.5 million, net of accumulated depreciation, by the end of fiscal year 2009 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$153,000.

Figure A-6								
Capital Assets, net of Depreciation								
(Expressed in Thousands)								
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
	June 30,		June 30,		June 30,		June 30,	
	2009	2008	2009	2008	2009	2008	2008-2009	
Land	\$ 38	38	-	-	38	38	0.00%	
Land improvements	8	23	-	-	8	23	-65.22%	
Buildings	2,192	1,936	-	-	2,192	1,936	13.22%	
Furniture and equipment	287	271	5	6	292	277	5.42%	
Totals	<u>\$ 2,525</u>	<u>2,268</u>	<u>5</u>	<u>6</u>	<u>2,530</u>	<u>2,274</u>	<u>11.26%</u>	

Long-Term Debt

The District had total outstanding revenue bonds on June 30, 2009, of \$330,000. The principal and interest on the bonds will be paid in full by June 1, 2012. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
Revenue bonds	\$ 330	435	-24.14%
Early retirement	92	95	-3.16%
	<u>\$ 422</u>	<u>530</u>	<u>-20.38%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Statewide Sales and Services Tax replaced the School Infrastructure Local Option Sales Tax, which will provide funds for property tax reduction and school infrastructure projects affecting the Physical Plant and Equipment Levy Fund, Capital Projects, and Debt Service Funds of the District. This will allow improvement of facilities and equipment without raising property taxes.
- To offset the impact of the trend toward declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10-year period. The District will have to continue to carefully monitor its spending in order to maintain adequate funding and programs.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Sharing with the North Central Community School District should allow our students better educational opportunities in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gwen Mellmann, Business Manager, Nora Springs-Rock Falls Community School District, 509 N Iowa, Nora Springs, IA 50458.

Basic Financial Statements

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 650,869	25,029	675,898
ISCAP investments	748,625	-	748,625
Receivables:			
Property tax:			
Current year	27,264	-	27,264
Succeeding year	1,735,077	-	1,735,077
Other receivables	67,000	-	67,000
Due from other governments	230,237	-	230,237
ISCAP accrued interest receivable	3,346	-	3,346
Inventories	-	2,028	2,028
Capital assets, net of accumulated depreciation	2,525,494	5,153	2,530,647
Total assets	<u>5,987,912</u>	<u>32,210</u>	<u>6,020,122</u>
Liabilities:			
Accounts payable	86,716	-	86,716
Accrued salary and benefits	-	302	302
Accrued interest payable	771	-	771
ISCAP warrants payable	738,000	-	738,000
ISCAP unamortized premium	11,312	-	11,312
ISCAP accrued interest payable	4,761	-	4,761
Deferred revenue:			
Succeeding year property tax	1,735,077	-	1,735,077
Federal programs	16,310	-	16,310
Long term liabilities:			
Portion due within one year:			
Early retirement	41,360	-	41,360
Bonds payable	105,000	-	105,000
Portion due after one year:			
Early retirement	50,993	-	50,993
Bonds payable	225,000	-	225,000
Total liabilities	<u>3,015,300</u>	<u>302</u>	<u>3,015,602</u>
Net assets:			
Invested in capital assets, net of related debt	2,195,494	5,153	2,200,647
Restricted for:			
Management levy	3,747	-	3,747
Physical plant and equipment levy	117,606	-	117,606
Debt service	16,545	-	16,545
Capital projects	443,373	-	443,373
Categorical funding	14,574	-	14,574
Unrestricted	181,273	26,755	208,028
Total net assets	<u>\$ 2,972,612</u>	<u>31,908</u>	<u>3,004,520</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:	\$ 2,907,769	277,940	779,975	(1,849,854)	-	(1,849,854)
Support services:						
Student services	89,031	-	-	(89,031)	-	(89,031)
Instructional staff services	121,721	-	-	(121,721)	-	(121,721)
Administration services	418,469	-	-	(418,469)	-	(418,469)
Operation and maintenance of plant services	311,634	-	826	(310,808)	-	(310,808)
Transportation services	285,426	-	-	(285,426)	-	(285,426)
	1,226,281	-	826	(1,225,455)	-	(1,225,455)
Other expenditures:						
Facilities acquisition and construction	71,889	-	2,502	(69,387)	-	(69,387)
Long-term debt interest	11,843	-	580	(11,263)	-	(11,263)
AEA flowthrough	152,508	-	152,508	-	-	-
Depreciation (unallocated)*	117,296	-	-	(117,296)	-	(117,296)
	353,536	-	155,590	(197,946)	-	(197,946)
Total governmental activities	4,487,586	277,940	936,391	(3,273,255)	-	(3,273,255)

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Business type activities:						
Non-instructional programs						
Nutrition services	205,683	112,086	96,996	-	3,399	3,399
Community education	32,840	28,735	75	-	(4,030)	(4,030)
Total	\$ 4,726,109	418,761	1,033,462	(3,273,255)	(631)	(3,273,886)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,300,685	-	1,300,685
Management fund				59,915	-	59,915
Debt service				116,910	-	116,910
Capital outlay				100,460	-	100,460
Statewide sales and services tax				323,237	-	323,237
Unrestricted state grants				1,827,514	-	1,827,514
Unrestricted investment earnings				4,778	-	4,778
Other				5,892	-	5,892
Total general revenues				3,739,391	-	3,739,391
Change in net assets				466,136	(631)	465,505
Net assets beginning of year				2,506,476	32,539	2,539,015
Net assets end of year				\$ 2,972,612	31,908	3,004,520

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

Assets

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Cash and pooled investments	\$ 91,558	35,876	2,708	115,908	390,250	14,569	650,869
ISCAP investments	748,625	-	-	-	-	-	748,625
Receivables:							
Property tax:							
Current year	22,551	-	1,039	1,698	-	1,976	27,264
Succeeding year	1,421,372	-	93,000	106,109	-	114,596	1,735,077
Other receivables	67,000	-	-	-	-	-	67,000
Due from other governments	177,114	-	-	-	53,123	-	230,237
ISCAP accrued interest receivable	3,346	-	-	-	-	-	3,346
Total assets	<u>2,531,566</u>	<u>35,876</u>	<u>96,747</u>	<u>223,715</u>	<u>443,373</u>	<u>131,141</u>	<u>3,462,418</u>

Liabilities and Fund Balances

Liabilities:

Accounts payable	86,716	-	-	-	-	-	86,716
ISCAP warrants payable	738,000	-	-	-	-	-	738,000
ISCAP unamortized premium	11,312	-	-	-	-	-	11,312
ISCAP accrued interest payable	4,761	-	-	-	-	-	4,761
Deferred revenue:							
Succeeding year property tax	1,421,372	-	93,000	106,109	-	114,596	1,735,077
Federal programs	16,310	-	-	-	-	-	16,310
Total liabilities	<u>2,278,471</u>	<u>-</u>	<u>93,000</u>	<u>106,109</u>	<u>-</u>	<u>114,596</u>	<u>2,592,176</u>

Fund balances:

Reserved for debt service	-	-	-	-	-	16,545	16,545
Reserved for capital projects	-	-	-	-	443,373	-	443,373
Reserved for categorical funding	14,574	-	-	-	-	-	14,574
Unreserved	238,521	35,876	3,747	117,606	-	-	395,750
Total fund balances	<u>253,095</u>	<u>35,876</u>	<u>3,747</u>	<u>117,606</u>	<u>443,373</u>	<u>16,545</u>	<u>870,242</u>
Total liabilities and fund balances	<u>\$ 2,531,566</u>	<u>35,876</u>	<u>96,747</u>	<u>223,715</u>	<u>443,373</u>	<u>131,141</u>	<u>3,462,418</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 870,242
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,525,494
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(771)
Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(422,353)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 2,972,612</u></u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 1,300,685	-	59,915	100,460	323,237	116,910	1,901,207
Tuition	277,940	-	-	-	-	-	277,940
Other	229,836	25,600	-	758	2,502	531	259,227
State sources	2,314,059	-	26	42	-	49	2,314,176
Federal sources	201,172	-	-	-	-	-	201,172
Total revenues	4,323,692	25,600	59,941	101,260	325,739	117,490	4,953,722
Expenditures:							
Instruction	2,888,074	22,130	-	-	-	-	2,910,204
Support services:							
Student services	89,031	-	-	-	-	-	89,031
Instructional staff services	108,228	-	-	51,154	17,491	-	176,873
Administration services	404,111	-	14,358	-	-	-	418,469
Operation and maintenance of plant services	257,337	-	53,788	23,795	-	-	334,920
Transportation services	244,543	-	5,452	-	-	-	249,995
	1,103,250	-	73,598	74,949	17,491	-	1,269,288

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
Facilities acquisition and construction	-	-	-	-	71,889	-	71,889
Long-term debt:							
Principal	-	-	-	-	-	105,000	105,000
Interest	-	-	-	-	-	11,667	11,667
Services	-	-	-	-	-	400	400
AEA flowthrough	152,508	-	-	-	-	-	152,508
	<u>152,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,889</u>	<u>117,067</u>	<u>341,464</u>
Total expenditures	<u>4,143,832</u>	<u>22,130</u>	<u>73,598</u>	<u>74,949</u>	<u>89,380</u>	<u>117,067</u>	<u>4,520,956</u>
Net changes in fund balance	179,860	3,470	(13,657)	26,311	236,359	423	432,766
Fund balances beginning of year	<u>73,235</u>	<u>32,406</u>	<u>17,404</u>	<u>91,295</u>	<u>207,014</u>	<u>16,122</u>	<u>437,476</u>
Fund balances end of year	<u>\$ 253,095</u>	<u>35,876</u>	<u>3,747</u>	<u>117,606</u>	<u>443,373</u>	<u>16,545</u>	<u>870,242</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 432,766

***Amounts reported for governmental activities in the Statement of Activities
are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	78,438	
Depreciation expense	<u>(152,727)</u>	(74,289)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	105,000
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Early retirement expenses recorded in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	2,435
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>224</u>
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Change in net assets of governmental activities (Exhibit B) \$ 466,136

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Child Care</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 22,379	2,650	25,029
Inventories	2,028	-	2,028
Capital assets, net of accumulated depreciation	<u>5,153</u>	<u>-</u>	<u>5,153</u>
Total assets	<u>29,560</u>	<u>2,650</u>	<u>32,210</u>
Net assets			
Liabilities and Fund Balances			
Liabilities:			
Accrued salaries and benefits	<u>-</u>	<u>302</u>	<u>302</u>
Fund balances:			
Invested in capital assets, net of related debt	5,153	-	5,153
Unrestricted	<u>24,407</u>	<u>2,348</u>	<u>26,755</u>
Total fund balances	<u>29,560</u>	<u>2,348</u>	<u>31,908</u>
Total net assets	<u>\$ 29,560</u>	<u>2,650</u>	<u>32,210</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Child Care</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 112,086	28,735	140,821
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	68,613	-	68,613
Benefits	13,618	-	13,618
Supplies	122,805	-	122,805
Depreciation	647	-	647
	<u>205,683</u>	<u>-</u>	<u>205,683</u>
Other enterprise operations:			
Salaries	-	29,327	29,327
Benefits	-	3,513	3,513
	<u>-</u>	<u>32,840</u>	<u>32,840</u>
Total operating expenses	<u>205,683</u>	<u>32,840</u>	<u>238,523</u>
Operating (loss)	<u>(93,597)</u>	<u>(4,105)</u>	<u>(97,702)</u>
Non-operating revenues:			
Interest on investments	219	75	294
State sources	2,381	-	2,381
Federal sources	94,396	-	94,396
	<u>96,996</u>	<u>75</u>	<u>97,071</u>
Change in fund net assets	3,399	(4,030)	(631)
Net assets beginning of year	<u>26,161</u>	<u>6,378</u>	<u>32,539</u>
Net assets end of year	<u>\$ 29,560</u>	<u>2,348</u>	<u>31,908</u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 112,086	35,200	147,286
Cash payments to employees for services	(82,231)	(32,880)	(115,111)
Cash payments to suppliers for goods or services	(110,912)	-	(110,912)
Net cash provided by (used by) operating activities	(81,057)	2,320	(78,737)
Cash flows from non-capital financing activities:			
State grants received	2,381	-	2,381
Federal grants received	83,044	-	83,044
Net cash provided by non-capital financing activities	85,425	-	85,425
Cash flows from investing activities:			
Interest on investments	219	75	294
Net increase in cash and cash equivalents	4,587	2,395	6,982
Cash and cash equivalents beginning of year	17,792	255	18,047
Cash and cash equivalents end of year	\$ 22,379	2,650	25,029
Reconciliation of operating (loss) to net cash used by operating activities:			
Operating (loss)	\$ (93,597)	(4,105)	(97,702)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	647	-	647
Commodities used	11,352	-	11,352
Decrease in other receivables	-	6,465	6,465
Decrease in inventory	541	-	541
(Decrease) in accrued salary and benefits	-	(40)	(40)
	(81,057)	2,320	(78,737)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$9,975.

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Miscellaneous	\$ 2,500
Total additions	<u>2,500</u>
Deductions:	
Support services:	
Scholarships	<u>2,500</u>
Total deductions	<u>2,500</u>
Change in net assets	-
Net assets beginning of year	<u>-</u>
Net assets end of year	<u><u>\$ -</u></u>

See notes to financial statements.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Nora Springs-Rock Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Nora Springs and Rock Falls, Iowa, and agricultural area in Cerro Gordo, Mitchell and Floyd Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is involved in a two way sharing agreement with the North Central Community School District. Students in grades five through eight attend Nora Springs-Rock Falls Community School District. Students in grades nine through twelve attend North Central Community School District.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Nora Springs-Rock Falls Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Nora Springs-Rock Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Floyd and Cerro Gordo Counties Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition Fund and the Child Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to operate a day care program.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amount budgeted in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Amortized Cost

Diversified Portfolio	<u>\$783,855</u>
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The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,075	-	-	38,075
Capital assets being depreciated:				
Improvements other than buildings	372,904	-	-	372,904
Buildings	3,767,126	-	-	3,767,126
Furniture and Equipment	1,680,496	78,438	-	1,758,934
Total capital assets being depreciated	5,820,526	78,438	-	5,898,964
Less accumulated depreciation for:				
Improvements other than buildings	349,817	14,916	-	364,733
Buildings	1,499,661	75,342	-	1,575,003
Furniture and Equipment	1,409,340	62,469	-	1,471,809
Total accumulated depreciation	3,258,818	152,727	-	3,411,545
Total capital assets being depreciated, net	2,561,708	(74,289)	-	2,487,419
Governmental activities, capital assets, net	\$ 2,599,783	(74,289)	-	2,525,494
Business type activities				
Furniture and Equipment	\$ 7,759	-	-	7,759
Less accumulated depreciation	1,959	647	-	2,606
Business type activities capital assets, net	\$ 5,800	(647)	-	5,153
Depreciation expense was charged to the following functions:				
Governmental activities:				
Student transportation				\$ 35,431
Unallocated				117,296
				<u>\$ 152,727</u>
Business type activities:				
Food service operations				<u>\$ 647</u>

(4) Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2010	2.65	105,000	9,255	114,255
2011	2.80	110,000	6,472	116,472
2012	2.95	115,000	3,393	118,393
Total		<u>\$330,000</u>	<u>19,120</u>	<u>349,120</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	General Obligation Bonds	Early Retirement	Total
Balance beginning of year	\$435,000	94,788	529,788
Additions	-	17,238	17,238
Reductions	<u>105,000</u>	<u>19,673</u>	<u>124,673</u>
Balance end of year	<u>\$330,000</u>	<u>92,353</u>	<u>422,353</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$154,045, \$142,248, and \$133,360 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$152,508 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least 55 years but not more than 63 years of age and must have completed at least 15 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee consists of three parts. One, 100% of the difference between their current Salary Schedule A and the salary for B.A. step 3. Eligible support staff and administrators will receive 30% of their current contract rate. Two, \$100 for each year of service to the District over 15 years. Three, A wellness incentive of 10% of Item One if the employee has accumulated the maximum number of sick leave days at time of early retirement. The District paid \$19,673 in early retirement benefits during the year ended June 30, 2009.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Sharing Program

The District has entered into a two-way sharing agreement with the North Central Community School District to share grades 5-12. Grades 5-8 attend classes in Nora Springs while grades 9-12 attend classes in Manly.

(11) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2008-09B	1/21/09	1/21/10	\$356,513	3,298	352,000	4,629	3,840
2009-10A	6/25/09	6/23/10	<u>392,112</u>	<u>48</u>	<u>386,000</u>	<u>132</u>	<u>7,472</u>
Total			<u>\$748,625</u>	<u>3,346</u>	<u>738,000</u>	<u>4,761</u>	<u>11,312</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District did not participate in series 2008-09A ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09B	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

Required Supplementary Information

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,438,374	141,115	2,579,489	2,460,471	2,460,471	119,018
State sources	2,314,176	2,381	2,316,557	2,359,532	2,359,532	(42,975)
Federal sources	201,172	94,396	295,568	189,500	189,500	106,068
Total revenues	<u>4,953,722</u>	<u>237,892</u>	<u>5,191,614</u>	<u>5,009,503</u>	<u>5,009,503</u>	<u>182,111</u>
Expenditures/Expenses:						
Instruction	2,910,204	-	2,910,204	3,090,000	3,090,000	179,796
Support services	1,269,288	-	1,269,288	1,404,146	1,404,146	134,858
Non-instructional programs	-	238,523	238,523	186,000	186,000	(52,523)
Other expenditures	341,464	-	341,464	421,872	421,872	80,408
Total expenditures/expenses	<u>4,520,956</u>	<u>238,523</u>	<u>4,759,479</u>	<u>5,102,018</u>	<u>5,102,018</u>	<u>342,539</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	432,766	(631)	432,135	(92,515)	(92,515)	524,650
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	432,766	(631)	432,135	(92,515)	(92,515)	524,650
Balance beginning of year	437,476	32,539	470,015	267,103	267,103	202,912
Balance end of year	<u>\$ 870,242</u>	<u>31,908</u>	<u>902,150</u>	<u>174,588</u>	<u>174,588</u>	<u>727,562</u>

See accompanying independent auditor's report.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the non-instructional programs function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 1,084	492	-	1,576
Instrumental Fund Raising	1,196	10	101	1,105
Yearbook	2,181	3,081	4,104	1,158
Drama Jox	296	-	-	296
Student Council	2,117	-	-	2,117
MS Student Council	3,505	15,031	8,403	10,133
Future Problem Solvers	1,228	704	465	1,467
Class Composite Picture	2,382	10	778	1,614
Athletics	139	1,325	1,023	441
Basketball	921	750	505	1,166
Track	-	2,245	1,928	317
Football	1,441	801	1,740	502
Wrestling	1,289	30	233	1,086
Volleyball	1,568	618	1,601	585
Concession	1,546	10	400	1,156
Students Jump for Heart	1,114	443	-	1,557
Class of 2009	2,499	10	849	1,660
Class of 2010	995	10	-	1,005
Class of 2011	3,794	10	-	3,804
Class of 2012	2,245	10	-	2,255
Class of 2013	866	10	-	876
Grand total	\$ 32,406	25,600	22,130	35,876

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
Nora Springs-Rock Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nora Springs-Rock Falls Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 22, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nora Springs-Rock Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Nora Springs-Rock Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nora Springs-Rock Falls Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Nora Springs-Rock Falls Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Nora Springs-Rock Falls Community School District's financial statements that is more than inconsequential will not be prevented or detected by Nora Springs-Rock Falls Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Nora Springs-Rock Falls Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

Compliance and Other Matters

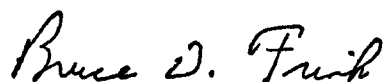
As part of obtaining reasonable assurance about whether Nora Springs-Rock Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Nora Springs-Rock Falls Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Nora Springs-Rock Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nora Springs-Rock Falls Community School District and other parties to whom Nora Springs-Rock Falls Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Nora Springs-Rock Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

April 22, 2010

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the non-instructional programs function.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-09 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-E-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-F-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-G-09 Business Transactions - No business transactions between the District and District officials were noted.
- II-H-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-I-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

NORA SPRINGS-ROCK FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	323,237
Expenditures/transfers out:	
School infrastructure:	
Equipment and improvement	<u>89,380</u>
Ending balance	<u>\$233,857</u>